

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 HA-05 CCO-00 OTPE-00 FCC-01 OC-06
BIB-01 H-01 /102 W
-----089992 222125Z /61

P 221934Z MAR 78
FM AMEMBASSY SAN SALVADOR
TO SECSTATE WASHDC PRIORITY 7431

C O N F I D E N T I A L SAN SALVADOR 01396

E.O. 11652: GDS
TAGS: EFIN, EINV, SHUM, ES, US
SUBJECT: ANTEL IBRD LOAN

REF: STATE 62919

1. SUMMARY: WHILE SOME U.S. INTERESTS ARGUE FOR U.S. SUPPORT OF SUBJECT LOAN, QUESTIONS MUST BE RAISED ABOUT OTHER ASPECTS. THIS MESSAGE INDICATES REASONS FOR SUPPORT, POINTS OUT POTENTIAL PROBLEM AREAS AND ASSESSES CURRENT HUMAN RIGHTS SITUATION. END SUMMARY.

2. COMMERCIAL INTEREST. U.S. HAS A STRONG COMMERCIAL INTEREST IN THE APPROVAL OF SUBJECT LOAN. GOES PURCHASES OF TELECOM-MUNICATIONS EQUIPMENT AND SERVICES UNDER THIS AND OTHER ANTEL INVESTMENT PROGRAMS ARE PROJECTED TO GROW FROM \$13.8 MIL-LION IN 1977 TO \$25.0 MILLION IN 1979. U.S. SUPPLIERS NOW HAVE ABOUT 16 PERCENT OF THE SALVADORAN MARKET FOR TELECOM-MUNICATIONS EQUIPMENT AND THERE ARE GOOD PROSPECTS OF EXPANDING THIS PARTICIPATION TO THE ORDER OF 25 TO 30 PERCENT IN COM-ING YEARS. THIS SECTOR HAS BEEN SELECTED BY THE POST FOR COM-MERCIAL EMPHASIS.

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3. DEVELOPMENT INTERESTS. EXPANSION OF TELECOMMUNICATIONS FACILITIES TO RURAL AREAS SHOULD BE A HIGH PRIORITY FOR THE GOES. CURRENT TELEPHONE DENSITY OF 1.4 PER HUNDRED FOR COUNTRY AS A WHOLE CONCEALS SUBSTANTIAL DISPARITY BETWEEN RURAL (0.46 PER HUNDRED) AND SAN SALVADOR (7.8 PER HUNDRED) AREAS. CURSORY REVIEW OF ANTEL'S POLICIES OVER LAST FEW YEARS SUGGESTS THAT INVESTMENT HAS BEEN CONCENTRATED HEAVILY IN SERVICES FOR SMALL

MODERN SECTOR CONCENTRATED IN SAN SALVADOR. LATEST EXAMPLE IS \$35 MILLION INVESTMENT IN SATELLITE EARTH STATION. AS RESULT, WHILE NEW YORK CAN BE DIRECT-DIALED IN SECONDS, CALL TO CHAL-ATENAGO MAY BE DIFFICULT. TO EXTENT THAT PROPOSED IBRD LOAN WOULD EXPAND TELEPHONE SERVICES TO RURAL AREAS, IT WOULD BE USEFUL AND OF DIRECT BENEFIT TO POOR. WE NOTE, HOWEVER, THAT ONLY ABOUT 12.6 PERCENT OF LOAN WOULD APPARENTLY BE DIRECTLY FOR THIS PURPOSE.

4. IT WOULD SEEM QUESTIONABLE FOR IBRD TO PROVIDE CONCESSIONAL FINANCING FOR IMPROVEMENT OF SERVICES TO MODERN SECTOR. ANTEL APPARENTLY GENERATES A SURPLUS ON ITS OPERATIONS, WITH THE INTERNATIONAL OPERATIONS BEING PARTICULARLY GOOD GENERATORS OF REVENUE. IT WOULD APPEAR THAT FURTHER IMPROVEMENT OF THIS TYPE OF SERVICE SHOULD BE FINANCED BY SUPPLIER CREDITS OR COMMERCIALY RATHER THAN CONCESSIONALLY. ALSO, A LOOK SHOULD BE TAKEN AT ANTEL'S TARIFF STRUCTURE TO BE SURE THAT NO HIDDEN SUBSIDY TO THE MODERN SECTOR IS INVOLVED. ACCORDING TO ANTEL'S CONSULTANTS (TAI INC.), A RATE STUDY WAS RECENTLY DONE BY ITU.

5. SINCE IBRD PROPOSAL IS NOT AVAILABLE TO EMBASSY, WE ARE UNABLE OFFER ANY DEFINITIVE JUDGMENT ON ITS MERITS UNDER CONSIDERATIONS RAISED IN PARAS 3 AND 4 ABOVE. WE BELIEVE, HOWEVER, THAT THESE QUESTIONS SHOULD BE CAREFULLY CONSIDERED.

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6. HUMAN RIGHTS. THE HUMAN RIGHTS SITUATION IN EL SALVADOR IS AMBIGUOUS. THIS IS OBVIOUS FROM A READING OF THE DEPARTMENT'S JAN. 31 HUMAN RIGHTS REPORT TO CONGRESS ON EL SALVADOR, THE LAST DEFINITIVE ASSESSMENT. WHILE VIOLATIONS OF HUMAN RIGHTS ARE OCCURRING IN EL SALVADOR, SOME ACTIONS OF THE ROMERO ADMINISTRATION HAVE INDICATED AN INTENTION TO IMPROVE THE SITUATION. MANY OPPONENTS OF THE REGIME HAVE ARGUED, HOWEVER, THAT THE CHANGES ARE COSMETIC AND THAT REPRESSION CONTINUES ALBEIT IN A MORE SUBTLE MANNER. THESE FAVORABLE ACTIONS WERE NEVER- THE LESS SUFFICIENT TO CAUSE THE USG TO DECIDE TO REMOVE ITS OBJECTION TO THE IDB LOAN FOR THE SAN LORENZO DAM IN OCTOBER. DEVELOPMENTS SINCE THE U.S. DECISION ON THE IDB LOAN ARE CONTROVERSAL AND FALL SHORT OF ANY CLEAR SHOWING OF A STRONG AND CONTINUING COMMITMENT TO THAT IMPROVEMENT OF HUMAN RIGHTS PERFORMANCE WHICH IS CLEARLY TO BE DESIRED. A "LAW OF DEFENSE AND GUARANTEE OF PUBLIC ORDER" PASSED IN NOVEMBER, WHILE LEGALIZING GOVERNMENT CONTROL OF OPPOSITION ACTIVITIES, ALSO MAY FACILITATE IT. MUNICIPAL AND ASSEMBLY ELECTIONS WERE HELD IN MARCH WITHOUT PARTICIPATION OF MAJOR OPPOSITION PARTIES. FINALLY, ARMED CONFRONTATIONS BETWEEN SECURITY FORCES AND LEFTIST DEMONSTRATORS MARCH 17, PROBABLY RESULTING FROM OVERREACTION BY THE FORMER, LEFT A TOLL OF TEN DEAD AND MANY WOUNDED. IN JANUARY,

THE INTERAMERICAN HUMAN RIGHTS COMMISSION (IAHRC) VISITED EL SALVADOR AT THE INVITATION OF THE GOES. THEIR REPORT SHOULD BE ISSUED WITHIN THE NEXT FEW MONTHS.

7. IN THE ABSENCE OF THE IAHRC REPORT, THERE IS LITTLE TO BE GAINED FROM OPPOSING ANTEL LOAN ON HUMAN RIGHTS GROUNDS. U.S. OBJECTIONS AT THIS POINT COULD BE CONSTRUED AS PRE-JUDGMENT OF GOES BEFORE RESULTS OF ITS MOST MEANINGFUL HUMAN RIGHTS GESTURE, THE INVITATION TO IAHRC, ARE IN. IT WOULD SOUR RELATIONS AND THREATEN SUCCESS OF COMMERCIAL GOALS MENTIONED PARA 2. FINALLY, IT WOULD BE INEFFECTIVE UNLESS SUPPORTED BY OTHER DONOR COUNTRIES. IN SUM, EMBASSY RECOMMENDS THAT LOAN BE CONSIDERED ON MERITS FROM DEVELOPMENTAL POINT OF VIEW, ABOUT WHICH THERE ARE MANY QUESTION, AND THAT HUMAN RIGHTS ISSUE
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BE POSTPONED UNTIL PUBLICATION OF IAHRC REPORT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TELECOMMUNICATION, HUMAN RIGHTS, POLICIES, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SANS01396
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780126-1037
Format: TEL
From: SAN SALVADOR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780337/aaaabezn.tel
Line Count: 138
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6458c1bf-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 62919
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 11 jul 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3238060
Secure: OPEN
Status: NATIVE
Subject: ANTEL IBRD LOAN
TAGS: EFIN, EINV, SHUM, ES, US, IDB, ANTEL
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/6458c1bf-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014